



Training Proposal for:
Lowe's HIW, Inc.
Agreement Number: ET09-0479

Panel Meeting of: **February 27, 2009**

ETP Regional Office: **San Diego**

Analyst: J. Davey

PROJECT PROFILE

Contract Type:	Retrainee SET/HUA - Retrainee	Industry Sector(s):	Transportation/Logistics Warehousing
Counties Served:	Riverside, Sacramento, San Diego, San Joaquin	Repeat Contractor:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Union(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Priority Industry:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
No. Employees in CA:	14,455	No. Employees Worldwide:	216,000

Turnover Rate %	Manager/ Supervisor %
11%	13%

FUNDING DETAIL

Program Costs	Substantial Contribution	Total ETP Funding	In-Kind Contribution
\$365,250	\$0	\$365,250	\$372,408

TRAINING PLAN TABLE

Job No.	Job Description (by Contract Type)	Type of Training	Estimated No. of Trainees	Range of Hours		Estimated Cost per Trainee	Post-Retention Wage
				Class / Lab	CBT		
1	Retrainee	Commercial Skills, Continuous Improvement, Literacy Skills,	518	24 - 200	0 -10	\$675	\$13.00
				Weighted Avg: 45			
2	Set HUA Retrainee	Commercial Skills, Continuous Improvement, Literacy Skills,	20	24 - 200	0 -10	\$780	\$13.00
				Weighted Avg: 52			

Minimum Wage by County: \$13.00 for Riverside and San Joaquin counties; \$13.48 for San Diego County; and \$13.69 for Sacramento County.

Health Benefits: ☒ Yes ☐ No This is employer share of cost for healthcare premiums – medical, dental, vision.

Used to meet the Post-Retention Wage?: ☒ Yes ☐ No

\$ 1.09 per hour may be used to meet the Post-Retention Wage.

Wage Range by Occupation	
Occupation Title	Wage Range
Distribution Staff	
Regional Operations Staff	
Supervisors/Managers	

INTRODUCTION

In this proposal, Lowe's HIW, Inc. seeks funding for retraining as outlined below:

Lowe's Companies, Inc., operating in California as Lowe's HIW, Inc., (Lowe's) sell thousands of retail and wholesale products to millions of do-it-yourselfers and professionals for home improvement and repair projects. It has more than 1,600 home centers in the United States and Canada selling gardening products, home fashion items, lumber, millwork, plumbing and electrical supplies, tools, appliances, and furniture. To serve these home centers, Lowe's has 36 distribution centers and 24 regional offices across the U.S. and Canada.

Lowe's will provide training at five California facilities: Roseville and Carlsbad corporate support offices; and Beaumont, Perris, and Stockton regional distribution centers. The regional distribution centers in Beaumont and Perris and the corporate support offices in Roseville and Carlsbad meet the out-of-state competition provisions of Title 22, California Code of Regulations (CCR), Section 4416(e) because they service the company's out-of-state locations (Job Number 1). The training at the Stockton distribution center will be funded under Special Employment

Training (SET) CCR Section 4409(b) serving a High Unemployment Area (HUA) (Job Number 2).

PROJECT DETAILS

With the current decline in the housing industry and the home mortgage crisis, Lowe's reports a decline in sales of home improvement products. Despite the bleak economy, Lowe's has continued expanding, opening 120 new home centers in 2008. However, it anticipates slow growth in the near term.

In its efforts to become more efficient and profitable, Lowe's continually evaluates its transportation and distribution process. The distribution network and support structure is a major driver of profitability, ensuring that home centers are appropriately stocked with the lowest inventory investment. The regional operations enable the home centers and distribution centers to operate efficiently and deliver the best customer experience. The company's logistics and distribution network ensure home centers have the right products at the right time. These areas of the company are the focus of this training proposal.

One of the key functions of distribution is receiving, storage, and delivery of appliances to the home centers. Previously, the distribution bays were arranged in sequential rows; one row of docks for receiving and a separate row of docks for shipping. Products would come in to one set of docks, be unloaded and stored in the warehouse, and then be "picked" for shipment. The distance between receiving, storage, and shipping has created unnecessary delays and takes up valuable warehouse space. Lowe's has re-evaluated its appliance delivery process and has re-designed its shipping/receiving bays to situate the shipping and receiving docks in a single row. Now appliances will be received, checked in, and stored closer to the shipping area to be picked and shipped out. This new process will require training for the distribution staff to effectively receive, process, and ship products utilizing this new design and process.

Lowe's is also implementing a "multiple stores per door (shipping bay)" structure for its regional distribution center in Perris. The Perris facility was designed and built to ship to 127 home centers in California, Hawaii, and Arizona, with one distribution door for each store. However, the addition of the new home centers will require the Perris facility to increase its capacity to serve 135 home centers by the end of 2009, an increase of 10%. Therefore, it is necessary for the company to ship to more than one store, from a single shipping bay. This new process will require improved efficiencies and add approximately 40 new employees in 2009. This new process will require training for the distribution and operations staff to process work effectively in the changed environment.

In the Stockton and Beaumont distribution facilities, Lowe's is implementing the Red Prairie Warehouse Management System (WMS). In a dynamic business like building products, where demand varies based on the economy and time of year, maintaining and managing a complex distribution network is vital to the company's viability. Because customers often have unique product specifications and time sensitive delivery requirements, success demands efficiency and a clear understanding of supply and demand. The new WMS will provide Lowe's the ability to adapt to changing customer requirements by synchronizing supply based on demand, attain a transparent supply chain, and establish an integrated transportation network so its products are always available. Furthermore, the new system will help reduce inventories, cut transportation costs, speed delivery, and improve customer service to stay a step ahead of the competition. This new system will require Lowe's to provide training to its Stockton and Beaumont distribution and operating staff to ensure they are able to utilize the new system to its full potential.

Lowe's is also implementing a new bar code system to scan and track its products in the distribution centers. Currently the company uses the regular sized bar codes (approximately one inch in length) on its products. In order to scan a product, team members would have to position themselves within a few inches of the bar code. This process proved to be very time consuming because of the enormous distances which have to be walked in the warehouse to ensure all products were scanned and accounted for. The new bar codes are larger and triangular and allow team members to scan from several feet away and from as much as a 250 degree radius, typically while driving a piece of machinery. This new process is expected to decrease scanning time by 90%, greatly increasing efficiencies in the distribution center. This new process will require supplemental skills training for distribution staff.

With the increase in product distributed through the three centers and new employees to be hired during the next year, Lowe's has determined it needs to implement a new leadership initiative in 2009. Many of Lowe's current staff who have the best potential for promotion need advanced leadership skills to make them effective within the supply chain operations. This new program will cover the complete spectrum of leadership skills, including communication, leadership foundations, situational leadership, managing conflict, delegation, feedback, and goal setting. This initiative will affect all levels of leadership, create consistency in the company's leadership approach, help the company develop its leaders from within, and incorporate succession planning by identifying high performers who can be future leaders. This program will affect all distribution center and regional office employees.

To meet the needs described above, Lowe's plans to provide the following training:

Commercial Skills

Frontline employees and managers/supervisors will receive supplemental commercial skills in areas such as distribution and equipment training skills. Lowe's has also identified the need for advanced safety and maintenance technical/transport skills for its frontline distribution center employees. Training in the new shipping/receiving procedures and new bar coding system will be the focus of the distribution skills training. Selected trainees will also receive training in equipment operation. In addition, Lowe's also requests that advanced safety skills be included in the curriculum. Advanced safety skills will cover the concepts of recognizing at-risk conditions in the workplace. These skills will implement a behavior modification process that will elevate the current safety culture at Lowe's. This training is being provided to ensure the highest level of safety is adhered to as employees are trained on new equipment/new processes.

Continuous Improvement

The company's frontline workforce and managers/supervisors will receive training in continuous improvement skills such as change management skills, coaching/feedback skills, communication skills, cross-training skills, leadership development skills, and train-the-trainer skills. These skills will provide the foundation for new leadership and create improvements in all areas of the supply chain.

Literacy Skills

Literacy Skills will be provided to frontline distribution staff. English is a second language for approximately 60% of the distribution staff at Lowe's. For these employees to effectively attain and apply job specific skills, it will be necessary for them to first gain a better understanding and comprehension of the English Language. The literacy skills provided will not exceed 45% of the total job specific skills training.

Commitment to Training

Lowe's has provided the following training in the past: basic job skills, new employee orientation, anti-harassment, basic safety skills, interview/selection skills, performance management, basics of physical security, ethics, code of business conduct, annual enrollment training, and blood borne pathogens.

Lowe's reports it will spend approximately \$1.6 million on training in California in 2009, or \$110 per employee.

Lowe's intends to maintain its training program as an essential, high-priority initiative. The company will begin identifying master trainers and leaders in management/production.

Lowe's represents that ETP funds will not displace the existing financial commitment to training. Indeed, Lowe's anticipates that the opportunity for enhanced training made possible by ETP funds will encourage an ongoing financial commitment in this area.

Lowe's represents that safety training is, and will continue to be, provided in accordance with all pertinent requirements under state and federal law.

Special Employment Training – High Unemployment Area

The twenty trainees in Job Number 2 work in an HUA. This is a region with unemployment exceeding the state average by at least 25%, using the unemployment rate set by the Labor Market Information Division of the Employment Development Department. (Title 22, CCR, Section [4429\(b\)](#).) These trainees qualify for the ETP Minimum Wage rather than the statewide average hourly wage.

RECOMMENDATION

For the reasons set forth above, staff recommends approval of this proposal.

DEVELOPMENT SERVICES

The company retained Training Funding Partners in Tustin to assist with development of this proposal for a flat fee of \$27,500.

ADMINISTRATIVE SERVICES

Training Funding Partners will also perform administrative services in connection with this proposal for a fee not to exceed 12% of payment earned.

TRAINING VENDORS

To Be Determined

Exhibit B: Menu Curriculum

VESL/Basic Math cannot exceed 45% of job skills training hours
Safety Training cannot exceed 10% of job skills training hours

Class/Lab Hours

24 – 200
Job Numbers 1 & 2

Trainees will receive any of the following:

Commercial Skills

- Distribution Skills
- Equipment Training Skills
 - Boom Personnel Lift Program
 - Chariot Program
 - Electric Stand Up Program
 - Electric Sit Down Program
 - End Control Pallet Truck Program
 - Front End Loader Program
 - Laser Radio Terminal (LRT)
 - Order/Stock Picker Program
 - Scissor Personnel Lift Program
 - Squeeze Clamp Program
 - Tow Tractor Program
- Lowe's Identified Advanced Safety Skills
 - Enhanced Safety Training Observation Program
 - Hazard Communication (Supply Chain)
- Maintenance Technical/Transport Skills

Continuous Improvement Skills

- Change Management Skills
- Coaching/Feedback Skills
- Communication Skills
- Cross-Training Skills
- Leadership Development Skills
- Process Improvement Skills
- Train-the-Trainer Skills
- Time Management Skills

Literacy Skills

- Vocational English as a Second Language (VESL)
 - Basic English Language Skills
 - English Language Comprehension
- Basic Math Skills

CBT

0-10

Job Numbers 1 & 2

Commercial Skills

- Distribution Skills (4 hours)
- Lowe's Identified Advanced Safety Skills
 - Hazard Communication (Supply Chain) (15 minutes)
 - Injury Prevention in Distribution Centers (15 minutes)

Continuous Improvement Skills

- Coaching/Feedback Skills (1 hour)
- Communication Skills (2 hours)
- Time Management Skills (1 hour)

*No trainee can receive more than 200 total hours of training, including CBT.